

HOUSE BILL No. 1282

DIGEST OF INTRODUCED BILL

Citations Affected: IC 6-1.1; IC 6-2.5-10-1; IC 6-3; IC 6-8.1-1-1; IC 6-10; IC 21-2; IC 21-3; IC 36-1-2-7.

Synopsis: Elimination of school property taxes. Terminates the authority of a school corporation to impose a property tax for educational purposes other than to repay an obligation that: (1) was entered into before April 1, 2006; and (2) includes a pledge requiring the school corporation to repay the obligation only from property taxes. Permits a school corporation to impose a local income for education tax against adjusted gross income in the taxing unit. Reduces the state adjusted gross income tax imposed on individuals. Eliminates distributions to school corporations from the property tax replacement fund. Provides for an additional state funded ADM flat grant to school corporations and charter schools. Requires school corporations to use the grant to reduce the local income tax for education tax rates imposed for debt service and capital projects. Makes an appropriation. Makes other related changes.

Effective: July 1, 2006; January 1, 2007.

Murphy

January 10, 2006, read first time and referred to Committee on Ways and Means.

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Introduced

Second Regular Session 114th General Assembly (2006)

PRINTING CODE. Amendments: Whenever an existing statute (or a section of the Indiana Constitution) is being amended, the text of the existing provision will appear in this style type, additions will appear in **this style type**, and deletions will appear in ~~this style type~~.

Additions: Whenever a new statutory provision is being enacted (or a new constitutional provision adopted), the text of the new provision will appear in **this style type**. Also, the word **NEW** will appear in that style type in the introductory clause of each SECTION that adds a new provision to the Indiana Code or the Indiana Constitution.

Conflict reconciliation: Text in a statute in *this style type* or ~~this style type~~ reconciles conflicts between statutes enacted by the 2005 Regular Session of the General Assembly.

HOUSE BILL No. 1282

A BILL FOR AN ACT to amend the Indiana Code concerning taxation and to make an appropriation.

Be it enacted by the General Assembly of the State of Indiana:

1 SECTION 1. IC 6-1.1-19-1.5, AS AMENDED BY P.L.246-2005,
2 SECTION 60, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE
3 JANUARY 1, 2007]: Sec. 1.5. (a) The following definitions apply
4 throughout this section and IC 21-3-1.7:

5 (1) "Adjustment factor" means the adjustment factor determined
6 by the department of local government finance for a school
7 corporation under IC 6-1.1-34.

8 (1) "Adjusted gross income" has the meaning set forth in
9 IC 6-10-2-4.

10 (2) "Adjusted "Target property local income for education tax
11 rate" means

12 (A) the school corporation's target general fund ~~property local~~
13 **income for education** tax rate determined under
14 IC 21-3-1.7-6.8. ~~multiplied by~~

15 (B) ~~the school corporation's adjustment factor.~~

16 (3) "**Imputed** previous year ~~property local income for education~~
17 tax rate" means the **product of:**

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(A) the part of the school corporation's previous year general fund property tax rate imposed for the school corporation's tuition support levy (as defined in IC 21-3-1.7-5), but before the reductions in IC 21-3-1.7-5; **multiplied by**

(B) **two and three thousand six hundred seventy-five ten thousandths (2.3675).**

Before making the calculation described in this subdivision, the general fund property tax rate must be stated as a tax rate per one hundred dollars (\$100) of assessed valuation. If the tax rate is not stated as a tax rate per one hundred dollars (\$100) of assessed valuation, the tax rate must be divided by one hundred (100).

(4) "Local income for education tax" refers to an income tax imposed against adjusted gross income under IC 6-10.

(b) Except as otherwise provided in this chapter, a school corporation may not impose a general fund ~~ad valorem property tax~~ **local income for education** levy which exceeds the following:

STEP ONE: Determine the result of:

(A) the school corporation's ~~adjusted target property~~ **local income for education** tax rate; minus

(B) the school corporation's **imputed** previous year ~~property~~ **local income for education** tax rate.

STEP TWO: If the school corporation's ~~adjusted target property~~ **local income for education** tax rate:

(A) exceeds the school corporation's **imputed** previous year ~~property~~ **local income for education** tax rate, the result under this STEP for the school corporation is the school corporation's **imputed** previous year ~~property~~ **local income for education** tax rate after increasing the rate by the lesser of:

(i) the STEP ONE result; or

(ii) ~~three cents (\$0.03);~~ **seven hundred ten ten-thousandths percent (0.0710%);** or

(B) is less than the school corporation's **imputed** previous year ~~property~~ **local income for education** tax rate, the result under this STEP is the school corporation's **imputed** previous year ~~property~~ **local income for education** tax rate after reducing the rate by the lesser of:

(i) the absolute value of the STEP ONE result; or

(ii) ~~eight cents (\$0.08);~~ **one thousand eight hundred ninety-four ten thousandths percent (0.1894%);** or

(C) equals the school corporation's **imputed** previous year ~~property~~ **local income for education** tax rate, the result under

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1 this STEP is the school corporation's ~~adjusted~~ target property
2 **local income for education** tax rate.

3 STEP THREE: ~~Divide~~ **Determine** the ~~school corporation's~~ total
4 ~~assessed value by one hundred dollars (\$100);~~ **adjusted gross**
5 **income of all taxpayers in the school corporation.**

6 STEP FOUR: Multiply the STEP TWO result by the STEP
7 THREE result.

8 STEP FIVE: Determine the sum of the following:

9 (A) The STEP FOUR result.

10 (B) An amount equal to the annual decrease in federal aid to
11 impacted areas from the year preceding the ensuing calendar
12 year by three (3) years to the year preceding the ensuing
13 calendar year by two (2) years.

14 (C) The part of the maximum general fund **local income for**
15 **education tax** levy for the year that equals the original amount
16 of the levy by the school corporation to cover the costs of
17 opening a new school facility or reopening an existing facility
18 during the preceding year.

19 (D) The amount determined under item (iv) of the following
20 formula:

21 (i) Determine the target revenue per ADM under
22 IC 21-3-1.7-6.7 for each charter school that included at least
23 one (1) student who has legal settlement in the school
24 corporation in the charter school's current ADM.

25 (ii) For each charter school, multiply the item (i) amount by
26 the number of students who have legal settlement in the
27 school corporation and who are included in the charter
28 school's current ADM.

29 (iii) Determine the sum of the item (ii) amounts.

30 (iv) Multiply the item (iii) amount by thirty-five hundredths
31 (0.35).

32 In determining the number of students for purposes of this
33 clause, each kindergarten pupil shall be counted as one-half
34 (1/2) pupil.

35 (c) For purposes of this section, "total assessed value" with respect
36 to a school corporation means the total assessed value of all taxable
37 property for ad valorem property taxes first due and payable during that
38 year.

39 (d) The department of local government finance shall annually
40 establish an assessment ratio and adjustment factor for each school
41 corporation to be used upon the review and recommendation of the
42 budget committee. The information compiled, including background

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documentation, may not be used in a:

- (1) review of an assessment under IC 6-1.1-8; IC 6-1.1-13;
IC 6-1.1-14; or IC 6-1.1-15;
- (2) petition for a correction of error under IC 6-1.1-15-12; or
- (3) petition for refund under IC 6-1.1-26.

(c) All tax rates and tax levies computed under this section shall be computed by rounding in conformity with IC 21-3-1.7-7.

SECTION 2. IC 6-1.1-19-10 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2007]: Sec. 10. (a) This section applies to a school corporation that:

- (1) is located in a county having a population of more than three hundred thousand (300,000) but less than four hundred thousand (400,000);
- (2) is a party to a lawsuit alleging that its schools are segregated in violation of the Constitution of the United States or federal law;
- (3) desires to improve or maintain racial balance among two (2) or more schools within the school corporation, regardless of the school corporation's basis for desiring to improve or maintain racial balance; and
- (4) has a minority student enrollment that comprises at least ten percent (10%) of its total student enrollment, using the most recent enrollment data available to the school corporation.

(b) As used in this section, "minority student" means a student who is black, Spanish American, Asian American, or American Indian.

(c) A school corporation may establish a racial balance fund and petition the school property tax control board to impose an ad valorem property tax to raise revenue for the fund. However, before a school corporation may impose an ad valorem property tax under this section, the school corporation must file a petition with the school property tax control board. The petition must be filed before June 1 of the year preceding the first year the school corporation desires to impose the property tax and must include the following:

- (1) The name of the school corporation.
- (2) A settlement agreement among the parties to a desegregation lawsuit that includes the program that will improve or maintain racial balance in the school corporation.
- (3) The proposed property tax levy.
- (4) Any other item required by the school property tax control board.

(d) The school property tax control board may recommend to the department of local government finance that a school corporation be allowed to establish a racial balance fund to be funded by an ad

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valorem property tax levy. The amount of the levy shall be determined each year and the levy may not exceed the lesser of the following:

(1) The revenue derived from a **local income for education** tax rate of ~~eight and thirty-three hundredths cents (\$0.0833)~~ for each ~~one hundred dollars (\$100)~~ of assessed valuation **one thousand nine hundred seventy-two ten thousandths percent (0.1972%)** within the school corporation.

(2) The revenue derived from a tax rate equal to the difference between the maximum rate allowed for the school corporation's capital projects fund under IC 21-2-15 minus the actual capital projects fund rate that will be in effect for the school corporation for a particular year.

(e) The department of local government finance shall review the petition of the school corporation and the recommendation of the school property tax control board and:

- (1) disapprove the petition if the petition does not comply with this section;
- (2) approve the petition; or
- (3) approve the petition with modifications.

(f) A property tax levy under this section is in addition to, and not part of, the school corporation's general fund property tax levy for purposes of determining the school corporation's maximum permissible general fund property tax levy under this chapter.

(g) Money received from a property tax levy under this section shall be deposited in the school corporation's racial balance fund established under this section. Money in the fund may be used only for education programs that improve or maintain racial balance in the school corporation. Money in the fund may not be used for:

- (1) transportation; or
- (2) capital improvements;

even though those costs may be attributable to the school corporation's proposed programs for improving or maintaining racial balance in the school corporation.

SECTION 3. IC 6-1.1-21-2, AS AMENDED BY P.L.1-2005, SECTION 92, AND AS AMENDED BY P.L.246-2005, SECTION 64, IS CORRECTED AND AMENDED TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2007]: Sec. 2. As used in this chapter:

(a) "Taxpayer" means a person who is liable for taxes on property assessed under this article.

(b) "Taxes" means property taxes payable in respect to property assessed under this article. The term does not include special assessments, penalties, or interest, but does include any special charges

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which a county treasurer combines with all other taxes in the preparation and delivery of the tax statements required under IC 6-1.1-22-8(a).

(c) "Department" means the department of state revenue.

(d) "Auditor's abstract" means the annual report prepared by each county auditor which under IC 6-1.1-22-5 is to be filed on or before March 1 of each year with the auditor of state.

(e) "Mobile home assessments" means the assessments of mobile homes made under IC 6-1.1-7.

(f) "Postabstract adjustments" means adjustments in taxes made subsequent to the filing of an auditor's abstract which change assessments therein or add assessments of omitted property affecting taxes for such assessment year.

(g) "Total county tax levy" means the sum of:

(1) the remainder of:

(A) the aggregate levy of all taxes for all taxing units in a county which are to be paid in the county for a stated assessment year as reflected by the auditor's abstract for the assessment year, adjusted, however, for any postabstract adjustments which change the amount of the aggregate levy; minus

(B) the sum of any increases in property tax levies of taxing units of the county that result from appeals described in:

(i) IC 6-1.1-18.5-13(4) and IC 6-1.1-18.5-13(5) filed after December 31, 1982; plus

(ii) the sum of any increases in property tax levies of taxing units of the county that result from any other appeals described in IC 6-1.1-18.5-13 filed after December 31, 1983; plus

(iii) IC 6-1.1-18.6-3 (children in need of services and delinquent children who are wards of the county) **(repealed)**; minus

(C) the total amount of property taxes imposed for the stated assessment year by the taxing units of the county under the authority of IC 12-1-11.5 (repealed), IC 12-2-4.5 (repealed), IC 12-19-5, or IC 12-20-24; minus

(D) the total amount of property taxes to be paid during the stated assessment year that will be used to pay for interest or principal due on debt that:

(i) is entered into after December 31, 1983; **and**

(ii) is not debt that is issued under IC 5-1-5 to refund debt incurred before January 1, 1984; ~~and~~

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(iii) does not constitute debt entered into for the purpose of building, repairing, or altering school buildings for which the requirements of IC 20-5-52 (*repealed*) were satisfied prior to January 1, 1984; minus

(E) the amount of property taxes imposed in the county for the stated assessment year under the authority of IC 21-2-6 (*repealed*) or any citation listed in IC 6-1.1-18.5-9.8 for a cumulative building fund whose property tax rate was initially established or reestablished for a stated assessment year that succeeds the 1983 stated assessment year; minus

(F) the remainder of:

(i) the total property taxes imposed in the county for the stated assessment year under authority of IC 21-2-6 (*repealed*) or any citation listed in IC 6-1.1-18.5-9.8 for a cumulative building fund whose property tax rate was not initially established or reestablished for a stated assessment year that succeeds the 1983 stated assessment year; minus

(ii) the total property taxes imposed in the county for the 1984 stated assessment year under the authority of IC 21-2-6 (*repealed*) or any citation listed in IC 6-1.1-18.5-9.8 for a cumulative building fund whose property tax rate was not initially established or reestablished for a stated assessment year that succeeds the 1983 stated assessment year; minus

(G) the amount of property taxes imposed in the county for the stated assessment year under:

(i) IC 21-2-15 for a capital projects fund; plus

(ii) IC 6-1.1-19-10 for a racial balance fund; plus

~~(iii) IC 20-14-13~~ (i) IC 36-12-12 for a library capital projects fund; plus

~~(iv) IC 20-5-17.5-3~~ (ii) IC 36-10-13-7 for an art association fund; plus

(v) IC 21-2-17 for a special education preschool fund; plus

(vi) IC 21-2-11.6 for a referendum tax levy fund; plus

(vii) an appeal filed under IC 6-1.1-19-5.1 for an increase in a school corporation's maximum permissible general fund levy for certain transfer tuition costs; plus

(viii) an appeal filed under IC 6-1.1-19-5.4 for an increase in a school corporation's maximum permissible general fund levy for transportation operating costs; minus

(H) the amount of property taxes imposed by a school corporation; that is attributable to the passage, after 1983, of a referendum for an excessive tax levy under IC 6-1.1-19;

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including any increases in these property taxes that are attributable to the adjustment set forth in IC 6-1.1-19-1.5 or any other law; minus

(I) for each township in the county, the lesser of:

(i) the sum of the amount determined in IC 6-1.1-18.5-19(a) STEP THREE or IC 6-1.1-18.5-19(b) STEP THREE, whichever is applicable, plus the part, if any, of the township's ad valorem property tax levy for calendar year 1989 that represents increases in that levy that resulted from an appeal described in IC 6-1.1-18.5-13(4) filed after December 31, 1982; or

(ii) the amount of property taxes imposed in the township for the stated assessment year under the authority of IC 36-8-13-4; minus

(J) for each participating unit in a fire protection territory established under IC 36-8-19-1, the amount of property taxes levied by each participating unit under IC 36-8-19-8 and IC 36-8-19-8.5 less the maximum levy limit for each of the participating units that would have otherwise been available for fire protection services under IC 6-1.1-18.5-3 and IC 6-1.1-18.5-19 for that same year; minus

(K) for each county, the sum of:

(i) the amount of property taxes imposed in the county for the repayment of loans under IC 12-19-5-6 (repealed) that is included in the amount determined under IC 12-19-7-4(a) STEP SEVEN **(as effective January 1, 1995)** for property taxes payable in 1995, or for property taxes payable in each year after 1995, the amount determined under IC 12-19-7-4(b); and

(ii) the amount of property taxes imposed in the county attributable to appeals granted under IC 6-1.1-18.6-3 **(repealed)** that is included in the amount determined under IC 12-19-7-4(a) STEP SEVEN **(as effective January 1, 1995)** for property taxes payable in 1995, or the amount determined under IC 12-19-7-4(b) for property taxes payable in each year after 1995; plus

(2) all taxes to be paid in the county in respect to mobile home assessments currently assessed for the year in which the taxes stated in the abstract are to be paid; plus

(3) the amounts, if any, of county adjusted gross income taxes that were applied by the taxing units in the county as property tax replacement credits to reduce the individual levies of the taxing

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units for the assessment year, as provided in IC 6-3.5-1.1; plus
 (4) the amounts, if any, by which the maximum permissible ad
 valorem property tax levies of the taxing units of the county were
 reduced under IC 6-1.1-18.5-3(b) STEP EIGHT for the stated
 assessment year; plus

(5) the difference between:

(A) the amount determined in IC 6-1.1-18.5-3(e) STEP FOUR;
 minus

(B) the amount the civil taxing units' levies were increased
 because of the reduction in the civil taxing units' base year
 certified shares under IC 6-1.1-18.5-3(e).

(h) "December settlement sheet" means the certificate of settlement
 filed by the county auditor with the auditor of state, as required under
 IC 6-1.1-27-3.

(i) "Tax duplicate" means the roll of property taxes which each
 county auditor is required to prepare on or before March 1 of each year
 under IC 6-1.1-22-3.

(j) "Eligible property tax replacement amount" is, *except as
 otherwise provided by law*, equal to the sum of the following:

~~(1) Sixty percent (60%) of the total county tax levy imposed by
 each school corporation in a county for its general fund for a
 stated assessment year.~~

~~(2) (1) Twenty percent (20%) of the total county tax levy (less
 sixty percent (60%) of the levy for the general fund of a school
 corporation that is part of the total county tax levy) imposed in a
 county on real property for a stated assessment year.~~

~~(3) (2) Twenty percent (20%) of the total county tax levy (less
 sixty percent (60%) of the levy for the general fund of a school
 corporation that is part of the total county tax levy) imposed in a
 county on tangible personal property, excluding business personal
 property, for an assessment year.~~

(k) "Business personal property" means tangible personal property
 (other than real property) that is being:

(1) held for sale in the ordinary course of a trade or business; or
 (2) held, used, or consumed in connection with the production of
 income.

(l) "Taxpayer's property tax replacement credit amount" means,
except as otherwise provided by law, the sum of the following:

~~(1) Sixty percent (60%) of a taxpayer's tax liability in a calendar
 year for taxes imposed by a school corporation for its general fund
 for a stated assessment year.~~

~~(2) (1) Twenty percent (20%) of a taxpayer's tax liability for a~~

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1 stated assessment year for a total county tax levy ~~(less sixty~~
 2 ~~percent (60%) of the levy for the general fund of a school~~
 3 ~~corporation that is part of the total county tax levy)~~ on real
 4 property.

5 ~~(3)~~ (2) Twenty percent (20%) of a taxpayer's tax liability for a
 6 stated assessment year for a total county tax levy ~~(less sixty~~
 7 ~~percent (60%) of the levy for the general fund of a school~~
 8 ~~corporation that is part of the total county tax levy)~~ on tangible
 9 personal property other than business personal property.

10 (m) "Tax liability" means tax liability as described in section 5 of
 11 this chapter.

12 (n) "General school operating levy" means the ad valorem property
 13 tax levy of a school corporation in a county for the school corporation's
 14 general fund.

15 (o) "Board" refers to the property tax replacement fund board
 16 established under section 10 of this chapter.

17 SECTION 4. IC 6-1.1-21-2.5, AS ADDED BY P.L.246-2005,
 18 SECTION 65, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE
 19 JANUARY 1, 2007]: Sec. 2.5. (a) Annually, before the department
 20 determines the eligible property tax replacement amount for a year
 21 under section 3 of this chapter and the department of local government
 22 finance makes its certification under section 3(b) of this chapter, the
 23 budget agency shall determine the sum of the following:

24 (1) One billion one hundred twenty-one million seven hundred
 25 thousand dollars (\$1,121,700,000).

26 (2) An amount equal to the net amount of revenue, after deducting
 27 collection allowances and refunds, that the budget agency
 28 estimates will be collected in a particular calendar year from the
 29 part of the gross retail and use tax rate imposed under IC 6-2.5
 30 equal to one percent (1%).

31 The estimate made under this subsection must be consistent with the
 32 latest technical forecast of state revenues that is prepared for
 33 distribution to the general assembly and the general public and
 34 available to the budget agency at the time that the estimate is made.

35 (b) The department may not distribute eligible property tax
 36 replacement amounts and eligible homestead credit replacement
 37 amounts for a year under this chapter that, in the aggregate, is less than
 38 the amount computed under subsection (a).

39 (c) Annually, before the department determines the eligible property
 40 tax replacement amount for a year under section 3 of this chapter and
 41 the department of local government finance makes its certification
 42 under section 3(b) of this chapter, the budget agency shall determine

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whether the total amount of property tax replacement credits granted in Indiana under section 5 of this chapter and homestead credits granted in Indiana under IC 6-1.1-20.9-2 for a year, determined without applying subsection (b), will be less than the amount determined under subsection (b). The budget agency shall give notice of its determination to the members of the board and, in an electronic format under IC 5-14-6, the general assembly. If the budget agency determines that the amount determined under subsection (b) will not be exceeded in a particular year, the board shall increase for that year the percentages used to determine a taxpayer's property tax replacement credit amount and the homestead credit percentage applicable under IC 6-1.1-20.9-2 so that the total amount of property tax replacement credits granted in Indiana under section 5 of this chapter and homestead credits granted in Indiana under IC 6-1.1-20.9-2 at least equals the amount determined under subsection (b). In making adjustments under this subsection, the board shall increase percentages in the following order until the total of property tax replacement credits granted under section 5 of this chapter and homestead credits granted under IC 6-1.1-20.9-2 for the year at least equals the amount determined under subsection (b):

(1) The homestead credit percentage specified in IC 6-1.1-20.9-2 until the homestead percentage reaches the lesser of:

(A) ~~thirty~~ **fifty** percent (~~30%~~); (**50%**); or

(B) the percentage at which the total of property tax replacement credits granted under section 5 of this chapter and homestead credits granted under IC 6-1.1-20.9-2 for the year at least equals the amount determined under subsection (b).

(2) If the amount determined under subsection (b) is not exceeded after increasing the homestead percentage under subdivision (1), the board shall increase the property tax replacement credit percentage specified in section 2(j)(1) and 2(l)(1) of this chapter until the property tax replacement percentage reaches the lesser of:

(A) ~~seventy~~ percent (~~70%~~); or

(B) the percentage at which the total of property tax replacement credits granted under section 5 of this chapter and homestead credits granted under IC 6-1.1-20.9-2 for the year, as adjusted under this subsection, at least equals the amount determined under subsection (b).

~~(3)~~ (2) If the amount determined under subsection (b) is not exceeded after making all possible increases in credit percentages under subdivisions **subdivision** (1), and (2), the board shall increase the property tax replacement credit percentages specified

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in section ~~2(j)(2), 2(j)(3), 2(i)(2), and 2(i)(3)~~ **2** of this chapter to the percentage at **which** the total of property tax replacement credits granted under section 5 of this chapter and homestead credits granted under IC 6-1.1-20.9-2 for the year, as adjusted under this subsection, at least equals the amount determined under subsection (b).

(d) The adjusted percentages set under subsection (c):

(1) are the percentages that apply under:

(A) section 5 of this chapter to determine a taxpayer's property tax replacement credit amount; and

(B) IC 6-1.1-20.9-2 to determine a taxpayer's homestead credit; and

(2) must be used by the:

(A) department in estimating the eligible property tax replacement amount under section 3 of this chapter; and

(B) department of local government finance in making its certification under section 3(b) of this chapter;

and for all other purposes under this chapter and IC 6-1.1-20.9 related to distributions under this chapter;

for the particular year covered by a budget agency's determination under subsection (c).

SECTION 5. IC 6-1.1-21-5 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2007]: Sec. 5. (a) Each year the taxpayers of each county shall receive a credit for property tax replacement in the amount of each taxpayer's property tax replacement credit amount for taxes which:

(1) under IC 6-1.1-22-9 are due and payable in May and November of that year; or

(2) under IC 6-1.1-22-9.5 are due in installments established by the department of local government finance for that year.

The credit shall be applied to each installment of taxes. The dollar amount of the credit for each taxpayer shall be determined by the county auditor, based on data furnished by the department of local government finance.

(b) The tax liability of a taxpayer for the purpose of computing the credit for a particular year shall be based upon the taxpayer's tax liability as is evidenced by the tax duplicate for the taxes payable in that year, plus the amount by which the tax payable by the taxpayer had been reduced due to the application of county adjusted gross income tax revenues to the extent the county adjusted gross income tax revenues were included in the determination of the total county tax levy for that year, as provided in sections 2(g) and 3 of this chapter,

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adjusted, however, for any change in assessed valuation which may have been made pursuant to a post-abstract adjustment if the change is set forth on the tax statement or on a corrected tax statement stating the taxpayer's tax liability, as prepared by the county treasurer in accordance with IC 6-1.1-22-8(a). ~~However, except when using the term under section 2-1-1 of this chapter,~~ The tax liability of a taxpayer does not include the amount of any property tax owed by the taxpayer that is attributable to that part of any property tax levy subtracted under section 2(g)(1)(B), 2(g)(1)(C), 2(g)(1)(D), 2(g)(1)(E), 2(g)(1)(F), 2(g)(1)(G), 2(g)(1)(H), 2(g)(1)(I), 2(g)(1)(J), or 2(g)(1)(K) of this chapter in computing the total county tax levy.

(c) The credit for taxes payable in a particular year with respect to mobile homes which are assessed under IC 6-1.1-7 is equivalent to the taxpayer's property tax replacement credit amount for the taxes payable with respect to the assessments plus the adjustments stated in this section.

(d) Each taxpayer in a taxing district that contains all or part of an economic development district that meets the requirements of section 5.5 of this chapter is entitled to an additional credit for property tax replacement. This credit is equal to the product of:

- (1) the STEP TWO quotient determined under section 4(a)(3) of this chapter for the taxing district; multiplied by
- (2) the taxpayer's taxes levied in the taxing district that are allocated to a special fund under IC 6-1.1-39-5.

SECTION 6. IC 6-1.1-21.2-11 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2007]: Sec. 11. (a) Not later than September 1 of a year in which a general reassessment does not become effective, the governing body shall estimate the tax increment replacement amount for each allocation area under the jurisdiction of the governing body for the next calendar year. In a year in which a general reassessment becomes effective, the department of local government finance may extend the deadline under this subsection by giving written notice to the governing body before the deadline.

(b) The tax increment replacement amount is the amount determined in STEP THREE of the following formula:

STEP ONE: The governing body shall estimate the amount of tax increment revenues it would receive in the next calendar year if ~~the property tax replacement credits payable with respect to the general fund levies imposed by school corporation property taxes had not been eliminated by the general assembly in 2006~~ for all school corporations with jurisdiction in the allocation area. ~~were determined under IC 6-1.1-21 as in effect on January 1,~~

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STEP TWO: The governing body shall estimate the amount of tax increment revenues it will receive in the next calendar year after implementation of the increase in the property tax credits payable under IC 6-1.1-21, as amended by the general assembly in 2002, with respect to general fund levies imposed by elimination of school corporation property taxes by the general assembly in 2006 for all school corporations with jurisdiction in the allocation area.

STEP THREE: Subtract the STEP TWO amount from the STEP ONE amount.

SECTION 7. IC 6-1.1-21.2-14 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2007]: Sec. 14. (a) The department of local government finance shall approve an appeal filed under section 13 of this chapter if the department determines that:

- (1) the governing body's estimate of the tax replacement amount under section 11 of this chapter is reasonable;
- (2) a tax levy in excess of the amount determined under section 12(d) of this chapter would:

- (A) create a significant financial hardship on taxpayers residing in the district in which the governing body exercises jurisdiction;

- (B) significantly reduce the benefits from the increase in the property tax credits payable under IC 6-1.1-21, as amended by the general assembly in 2002, with respect to general fund levies imposed by all school corporations with jurisdiction in the district; or

- (C) (B) have a disproportionate impact on small businesses or low income families or individuals; and

- (3) the governing body has made reasonable efforts to limit its use of the special fund for the allocation area to appropriations for payments of:

- (A) the principal and interest on loans or bonds;

- (B) lease rentals on leases;

- (C) amounts due on other contractual obligations; and

- (D) additional credits described in IC 8-22-3.5-10(a), IC 36-7-14-39.5(c), IC 36-7-14.5-12.5(d)(5), IC 36-7-15.1-26.5(e), IC 36-7-15.1-35(d), or IC 36-7-30-25(b)(2)(E).

- (b) In a year in which a general reassessment does not become effective, the department of local government finance shall make a final determination on an appeal filed under this section by December

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1 of the year. In a year in which a general reassessment becomes
 2 effective, the department may extend the deadline under this subsection
 3 by giving written notice to the appellant before the deadline.

4 (c) If the department approves an appeal filed under this section, it
 5 shall order a distribution from the property tax replacement fund in the
 6 amount determined under section 13(b) of this chapter in the same
 7 manner as distributions are made under IC 6-1.1-21-4.

8 (d) If the department denies an appeal filed under section 13 of this
 9 chapter, or does not grant the maximum permissible distribution under
 10 section 13(b) of this chapter, the legislative body of the unit that
 11 established the district may increase the levy imposed under this
 12 chapter to an amount that, when combined with any distribution
 13 received under this chapter, does not exceed the tax increment
 14 replacement amount.

15 SECTION 8. IC 6-2.5-10-1 IS AMENDED TO READ AS
 16 FOLLOWS [EFFECTIVE JANUARY 1, 2007]: Sec. 1. (a) The
 17 department shall account for all state gross retail and use taxes that it
 18 collects.

19 (b) The department shall deposit those collections in the following
 20 manner:

21 (1) ~~Fifty~~ **Thirty-two and eight hundred eighty-six thousandths**
 22 ~~percent (50%)~~ **(32.886%)** of the collections shall be paid into the
 23 property tax replacement fund established under IC 6-1.1-21.

24 (2) ~~Forty-nine~~ **Sixty-six and one hundred ninety-two three**
 25 **hundred six** thousandths percent ~~(49.192%)~~ **(66.306%)** of the
 26 collections shall be paid into the state general fund.

27 (3) Six hundred thirty-five thousandths of one percent (0.635%)
 28 of the collections shall be paid into the public mass transportation
 29 fund established by IC 8-23-3-8.

30 (4) Thirty-three thousandths of one percent (0.033%) of the
 31 collections shall be deposited into the industrial rail service fund
 32 established under IC 8-3-1.7-2.

33 (5) Fourteen-hundredths of one percent (0.14%) of the collections
 34 shall be deposited into the commuter rail service fund established
 35 under IC 8-3-1.5-20.5.

36 SECTION 9. IC 6-3-2-1 IS AMENDED TO READ AS FOLLOWS
 37 [EFFECTIVE JANUARY 1, 2007]: Sec. 1. (a) Each taxable year, a tax
 38 at the rate of ~~three two and four-tenths~~ **two-tenths** percent ~~(3.4%)~~
 39 **(2.2%)** of adjusted gross income is imposed upon the adjusted gross
 40 income of every resident person, and on that part of the adjusted gross
 41 income derived from sources within Indiana of every nonresident
 42 person.

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(b) Except as provided in section 1.5 of this chapter, each taxable year, a tax at the rate of eight and five-tenths percent (8.5%) of adjusted gross income is imposed on that part of the adjusted gross income derived from sources within Indiana of every corporation.

SECTION 10. IC 6-3-7-3 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2007]: Sec. 3. (a) All revenues derived from collection of the adjusted gross income tax imposed on corporations shall be deposited in the state general fund.

(b) All revenues derived from collection of the adjusted gross income tax imposed on persons shall be deposited ~~as follows:~~

(1) ~~Eighty-six percent (86%)~~ in the state general fund.

(2) ~~Fourteen percent (14%) in the property tax replacement fund.~~

SECTION 11. IC 6-8.1-1-1, AS AMENDED BY P.L.214-2005, SECTION 25, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2006]: Sec. 1. "Listed taxes" or "taxes" includes only the pari-mutuel taxes (IC 4-31-9-3 through IC 4-31-9-5); the river boat admissions tax (IC 4-33-12); the river boat wagering tax (IC 4-33-13); the gross income tax (IC 6-2.1) (repealed); the utility receipts tax (IC 6-2.3); the state gross retail and use taxes (IC 6-2.5); the adjusted gross income tax (IC 6-3); the supplemental net income tax (IC 6-3-8) (repealed); the county adjusted gross income tax (IC 6-3.5-1.1); the county option income tax (IC 6-3.5-6); the county economic development income tax (IC 6-3.5-7); the municipal option income tax (IC 6-3.5-8); the auto rental excise tax (IC 6-6-9); the financial institutions tax (IC 6-5.5); the gasoline tax (IC 6-6-1.1); the alternative fuel permit fee (IC 6-6-2.1); the special fuel tax (IC 6-6-2.5); the motor carrier fuel tax (IC 6-6-4.1); a motor fuel tax collected under a reciprocal agreement under IC 6-8.1-3; the motor vehicle excise tax (IC 6-6-5); the commercial vehicle excise tax (IC 6-6-5.5); the hazardous waste disposal tax (IC 6-6-6.6); the cigarette tax (IC 6-7-1); **a local income for education tax imposed under IC 6-10**; the beer excise tax (IC 7.1-4-2); the liquor excise tax (IC 7.1-4-3); the wine excise tax (IC 7.1-4-4); the hard cider excise tax (IC 7.1-4-4.5); the malt excise tax (IC 7.1-4-5); the petroleum severance tax (IC 6-8-1); the various innkeeper's taxes (IC 6-9); the various food and beverage taxes (IC 6-9); the county admissions tax (IC 6-9-13 and IC 6-9-28); the oil inspection fee (IC 16-44-2); the emergency and hazardous chemical inventory form fee (IC 6-6-10); the penalties assessed for oversize vehicles (IC 9-20-3 and IC 9-30); the fees and penalties assessed for overweight vehicles (IC 9-20-4 and IC 9-30); the underground storage tank fee (IC 13-23); the solid waste management fee (IC 13-20-22); and any other tax or fee that the department is

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required to collect or administer.

SECTION 12. IC 6-10 IS ADDED TO THE INDIANA CODE AS
A NEW ARTICLE TO READ AS FOLLOWS [EFFECTIVE JULY 1,
2006]:

ARTICLE 10. LOCAL INCOME FOR EDUCATION

Chapter 1. Purpose; Application

Sec. 1. This article applies only to school corporations.

Sec. 2. The purpose of this article is to provide school corporations with alternative sources of tax revenue to replace revenue lost as the result of the elimination of the powers of a school corporation to levy property taxes.

Sec. 3. This article applies only to:

- (1) a year that begins after December 31, 2006; and
- (2) a taxpayer's taxable year that begins after December 31, 2006.

Sec. 4. A tax imposed under this article is in addition to a tax imposed by any other law.

Chapter 2. Definitions

Sec. 1. The definitions in this chapter apply throughout this article.

Sec. 2. The definitions in IC 6-1.1-1, IC 6-3, and IC 36-1-2 apply throughout this article.

Sec. 3. "Account" refers to a county's account in the excess fund.

Sec. 4. "Adjusted gross income" means adjusted gross income (as defined in IC 6-3-1-3.5(a)), except that:

- (1) IC 6-3-1-3.5(a)(6) does not apply to this article; and
- (2) in the case of a taxpayer who is a nonresident the term includes only adjusted gross income derived from the taxpayer's principal place of business or employment.

Sec. 5. "Allocation area" has the meaning set forth in IC 6-1.1-21.2-3.

Sec. 6. "Excess fund" refers to the local income for education excess fund established by IC 6-10-11-1.

Sec. 7. "Excess tax revenue" refers to tax revenue described in IC 6-10-11-7.

Sec. 8. "Impose" means the following:

- (1) To establish a tax.
- (2) To set a rate for a tax.
- (3) To increase or decrease the rate for a tax.
- (4) To repeal a tax.
- (5) To otherwise change the terms or conditions of a tax.

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1 **Sec. 9. "Incremental tax revenue"** refers to taxes imposed on
 2 taxpayers in a taxing unit that by law are allocated to a project or
 3 purpose that:

- 4 (1) is carried out by a special taxing district or another entity
 5 that is not the taxing unit;
 6 (2) is not political or governmental in nature; and
 7 (3) is of special benefit to the residents and property of the
 8 area.

9 **Sec. 10. "Nonresident"** means an individual who:

- 10 (1) is not a resident of any taxing unit on the residency
 11 determination date in the individual's taxable year; and
 12 (2) has the individual's principal place of business or
 13 employment in a taxing unit on the residency determination
 14 date in the individual's taxable year.

15 **Sec. 11. "Property tax"** refers to an ad valorem property tax.

16 **Sec. 12. "Residency determination date"** refers to the date in a
 17 taxpayer's taxable year on which the taxpayer's obligation to pay
 18 taxes imposed by a particular taxing unit is determined.

19 **Sec. 13. "Resident"** means an individual who is a resident of a
 20 taxing unit on the residency determination date in the individual's
 21 taxable year.

22 **Sec. 14. "Tax"** refers to a tax imposed under this article.

23 **Sec. 15. "Tax area"** means the area in which a taxing unit may
 24 impose a tax as determined under IC 6-10-6.

25 **Sec. 16. "Taxing unit"** refers to a school corporation.

26 **Sec. 17. "Taxpayer"** refers to an individual who has tax liability
 27 under this article.

28 **Chapter 3. Interpretation of Laws Governing Property Taxes**

29 **Sec. 1.** A taxing unit is not eligible for a distribution under
 30 IC 6-1.1-21 to reduce or replace taxes imposed under this article.

31 **Sec. 2.** Any law that requires or permits a taxing unit to impose
 32 or appropriate money from a property tax shall be construed to
 33 require or permit a taxing unit to impose or appropriate a
 34 combination of property taxes and replacement amounts to meet
 35 the requirements of the law.

36 **Sec. 3.** Laws limiting the amount of a property tax levy that may
 37 be imposed or the maximum property tax rate that may be
 38 imposed shall be construed as limiting the maximum tax levy that
 39 may be imposed under this article.

40 **Sec. 4.** Laws limiting the maximum property tax rate that may
 41 be imposed shall be construed as limiting the maximum tax rate
 42 that may be imposed under this article.

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Sec. 5. Laws placing conditions on when a property tax may be imposed or how a property tax may be used, including:

- (1) IC 6-1.1-18.5-8;**
- (2) IC 6-1.1-19-8; and**
- (3) IC 6-1.1-20;**

shall be construed to apply to a tax imposed under this article.

Sec. 6. Taxes imposed under this article shall be treated as exempt from property tax levy limitations imposed by law, including:

- (1) IC 6-1.1-18.5-3; and**
- (2) IC 6-1.1-19-1.5;**

only to the extent that the property taxes that are replaced by taxes imposed under this article would have been exempt from the levy limitations.

Sec. 7. Any law that refers to a property tax levy shall be interpreted for purposes of this article by converting the property tax levy amount to an equivalent amount of tax under this article.

Sec. 8. Any law that refers to a property tax rate shall be interpreted for purposes of this article by converting the property tax rate to a tax rate under this article that will raise an equivalent amount of revenue.

Sec. 9. Taxes shall be distributed to an allocation area to the extent that the property taxes that are replaced by taxes imposed under this article would have been distributed to the allocation area in the manner prescribed by the department of local government finance.

Sec. 10. The department of local government finance shall prescribe procedures and standards for applying this chapter to:

- (1) a calculation permitted or required by law that uses a property tax rate or property tax levy; and**
- (2) any other law that refers to a property tax levy or property tax rate.**

Chapter 4. Maximum Tax; Computation of Tax Rates

Sec. 1. A taxing unit may impose or appropriate money from a tax under this article only if:

- (1) a law outside this article; or**
- (2) section 6 or 7 of this chapter;**

specifically permits or requires the taxing unit to impose or appropriate money from a property tax or a tax under this article. The taxing unit's authority to impose or appropriate money from a tax under this article is limited to the maximum tax levies and tax rates permitted or required by the laws outside this article.

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1 **Sec. 2. Subject to any law that limits tax levies or tax rates:**

- 2 (1) a taxing unit;
 3 (2) a county board of tax adjustment;
 4 (3) a county fiscal officer; and
 5 (4) the department of local government finance;

6 shall calculate tax rates for a taxing unit that are sufficient to raise
 7 the sum of the tax levies that the department of local government
 8 finance certifies for use by the taxing unit to fund its budget plus
 9 any additional tax levies permitted under this article.

10 **Sec. 3. The tax rates certified for a taxing unit are valid and may**
 11 **not be contested on the grounds that the tax rates exceed a limit**
 12 **imposed by law or a tax rate advertised in a notice. Any tax**
 13 **revenue raised that exceeds the limits imposed by law is not excess**
 14 **tax revenue. The amount may be used only to reduce tax rates in**
 15 **subsequent years in the manner prescribed by the department of**
 16 **local government finance.**

17 **Sec. 4. The amount of a tax levy raised:**

- 18 (1) for use by an allocation area; or
 19 (2) from an area in which taxing unit increment tax revenue
 20 is allocated to a special project;

21 may not be considered in calculating tax rates under this article.

22 **Sec. 5. Tax rates shall be determined based on the amount of tax**
 23 **liability that accrues in the accounting period in which the tax rate**
 24 **applies even if the full amount of tax is not due until the taxpayer**
 25 **files a final return for the taxpayer's taxable year.**

26 **Sec. 6. (a) The department of local government finance, after**
 27 **reviewing the recommendation of the budget agency, may increase**
 28 **the tax rates imposed for a taxing unit in a year in excess of the tax**
 29 **rates otherwise permitted by law to provide or maintain a reserve**
 30 **in the taxing unit's account in the excess fund. The amount of the**
 31 **additional tax levy under this section may not exceed ten percent**
 32 **(10%) of the amount of the tax levy imposed by the taxing unit**
 33 **before adding the reserve.**

34 **(b) Additional tax rates under this section shall be imposed**
 35 **under written policies established by the budget agency and**
 36 **uniformly applied in all taxing units.**

37 **(c) The department of local government finance shall notify the**
 38 **fiscal officer of a taxing unit of the proposed additional tax levy**
 39 **and estimated tax rate under this section before August 2 of the**
 40 **year immediately preceding the year in which the additional tax**
 41 **levy and tax rate are imposed.**

42 **(d) An additional tax rate under this section shall be certified**

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and published in the same manner as other tax rates under this article.

(e) The amount collected from an additional tax rate imposed under this section shall be deposited in the taxing unit's account in the excess fund.

Sec. 7. (a) The department of local government finance, after review of the recommendation of the budget agency, may impose an additional tax rate for a taxing unit to cover a shortfall in tax collections below the amount of tax revenue certified for use in a taxing unit's budget.

(b) An additional tax rate under this section may be imposed over more than one (1) year to recover the full amount of the shortfall.

(c) The department of local government finance shall notify the taxing unit's fiscal officer of a proposed additional tax rate under this section on the schedule determined by the department of local government finance.

(d) An additional tax rate under this section shall be certified and published in the same manner as other tax rates under this article.

(e) The amount collected from an additional tax rate imposed under this section shall be deposited in the taxing unit's account in the excess fund.

Chapter 5. Determination of Tax Area

Sec. 1. A tax levy for a taxing unit shall be imposed in the tax area determined under this chapter.

Sec. 2. The tax rate imposed by a taxing unit in the taxing unit's tax area shall be uniformly applied to the adjusted gross income of all taxpayers in the tax area.

Sec. 3. The tax area for a taxing unit is the area within the boundaries of the taxing unit.

Chapter 6. Imposition of Tax

Sec. 1. The fiscal body of a taxing unit may impose a local income for education tax on the adjusted gross income of taxpayers in the taxing unit's tax area.

Sec. 2. The tax is imposed on the adjusted gross income of:

- (1) each individual who is a resident of the tax area on the residency determination date for the individual's taxable year; and
- (2) each individual who is a nonresident of the tax area on the residency determination date for the individual's taxable year.

Sec. 3. The tax on a nonresident may be imposed only on the

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part of the nonresident's adjusted gross income that is derived from the individual's principal place of business or employment in the tax area.

Sec. 4. In the case of a resident of Perry County, the tax may not be imposed on the part of the individual's adjusted gross income that is:

(1) earned in a county that is:

(A) located in another state; and

(B) adjacent to the county in which the taxpayer resides; and

(2) subject to an income tax imposed by a county, city, town, or other local governmental entity in the other state.

Sec. 5. For purposes of this chapter, an individual shall be treated as a resident of the tax area in which the individual:

(1) maintains a home, if the individual maintains only one (1) home in Indiana;

(2) if subdivision (1) does not apply, is registered to vote;

(3) if subdivision (1) or (2) does not apply, registers the individual's personal automobile; or

(4) if subdivision (1), (2), or (3) does not apply, spends the majority of the individual's time spent in Indiana during the taxable year in question.

Sec. 6. The residence or principal place of business or employment of an individual is to be determined on January 1 of the year in which the individual's taxable year begins. If an individual changes the location of the individual's residence or principal place of employment or business to another tax area in Indiana during a year, the individual's liability for the tax is not affected.

Sec. 7. A taxing unit's fiscal body may pass a resolution to enter into reciprocity agreements with the taxing authority of a city, town, municipality, county, or other similar local governmental entity of any other state. A reciprocity agreement must provide that the income of Indiana residents is exempt from income taxation by the other local governmental entity to the extent that income of nonresidents who reside in the other local governmental entity is exempt from the tax in the Indiana taxing unit entering into the agreement.

Sec. 8. A reciprocity agreement adopted under this chapter may not become effective until it is also made effective in the other local governmental entity that is a party to the agreement.

Sec. 9. The form and effective date of any reciprocity agreement

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described in this chapter must be approved by the department of state revenue. The taxing unit shall certify the reciprocity agreement and any change in the reciprocity agreement to the department of state revenue.

Sec. 10. If for any taxable year a taxpayer is subject to different tax rates for the tax imposed in a tax area, the taxpayer's tax rate for the tax area for that taxable year is the rate determined in **STEP FOUR** of the following **STEPS**:

STEP ONE: Multiply the number of months in the taxpayer's taxable year that precede July 1 by the rate in effect before the rate change.

STEP TWO: Multiply the number of months in the taxpayer's taxable year that follow June 30 by the rate in effect after the rate change.

STEP THREE: Add the results determined under **STEP ONE** and **STEP TWO**.

STEP FOUR: Divide the **STEP THREE** result by twelve (12).

Sec. 11. If the tax is not in effect during a taxpayer's entire taxable year, the amount of tax that the taxpayer owes for that taxable year equals the product of:

(1) the amount of tax the taxpayer would owe if the tax had been imposed during the taxpayer's entire taxable year; multiplied by

(2) a fraction. The numerator of the fraction equals the number of days in the taxpayer's taxable year during which the tax was in effect. The denominator of the fraction equals the total number of days in the taxpayer's taxable year.

However, if the taxpayer files state income tax returns on a yearly basis, the fraction to be applied under this section is one-half (1/2).

Sec. 12. (a) Except as provided in subsection (b), if for a particular taxable year a resident is liable for an income tax imposed by a county, city, town, or other local governmental entity located outside Indiana, the resident is entitled to a credit against the resident's total tax liability imposed under this article for that same taxable year. The amount of the credit equals the amount of tax imposed by the other governmental entity on income derived from sources outside Indiana and subject to the tax under this chapter. However, the credit provided by this section may not reduce a resident's tax liability under this article to an amount less than would have been owed if the income subject to taxation by the other governmental entity had been ignored.

(b) The credit provided by this section does not apply to a

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resident to the extent that the other governmental entity provides for a credit to the resident for the amount of taxes owed under this article.

(c) To claim the credit provided by this section, a resident must provide the department of state revenue with satisfactory evidence that the resident is entitled to the credit.

Sec. 13. (a) If for a particular taxable year a taxpayer is, or a taxpayer and the taxpayer's spouse who file a joint return are, allowed a credit for the elderly or totally disabled under Section 22 of the Internal Revenue Code, the taxpayer is, or the taxpayer and the taxpayer's spouse are, entitled to a credit against the tax liability under this article for that same taxable year. The amount of the credit equals the lesser of:

(1) the product of:

(A) the credit for the elderly or totally disabled for that same taxable year; multiplied by

(B) a fraction, the:

(i) numerator of which is the tax rate imposed under this article against the taxpayer or the taxpayer and the taxpayer's spouse; and

(ii) denominator of which is fifteen-hundredths (0.15); or

(2) the amount of tax imposed on the taxpayer or the taxpayer and the taxpayer's spouse.

(b) If a taxpayer and the taxpayer's spouse file a joint return and are subject to different taxing unit tax rates for the same taxable year, the taxpayer and the taxpayer's spouse shall compute the credit under this section by using the formula provided under subsection (a), except that they shall use the average of the two (2) tax rates imposed against them as the numerator referred to in subsection (a)(1)(B)(i).

Sec. 14. Except as otherwise provided in this chapter, all provisions of the adjusted gross income tax law (IC 6-3) concerning:

(1) definitions;

(2) declarations of estimated tax;

(3) filing of returns;

(4) deductions or exemptions from adjusted gross income;

(5) remittances;

(6) incorporation of the provisions of the Internal Revenue Code;

(7) penalties and interest; and

(8) exclusion of military pay credits for withholding;

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1 apply to the imposition, collection, and administration of the tax
2 imposed by this article.

3 Sec. 15. The provisions of IC 6-3-1-3.5(a)(6), IC 6-3-3-3,
4 IC 6-3-3-5, IC 6-3-4-4.1(h), IC 6-3-4-8.1(e), and IC 6-3-5-1 do not
5 apply to the tax imposed by this article.

6 Sec. 16. Each employer, including an employer making
7 payments by electronic funds transfer, shall report to the
8 department of state revenue for each reporting period the amount
9 of tax withholdings attributable to each tax area. The report must
10 be made before the later of:

11 (1) the time that an employer that is not making an electronic
12 funds transfer is required to pay to the department of state
13 revenue amounts withheld during the reporting period; or

14 (2) the date specified by the department of state revenue.

15 Sec. 17. A taxpayer required to file estimated or annual state
16 adjusted gross income tax returns under IC 6-3-4-4.1, including
17 taxpayers making payments by electronic funds transfer, shall file
18 estimated tax returns and make payments of the tax imposed by
19 this article to the department of state revenue at the time or times
20 and in the installments specified under IC 6-3-4-4.1 for making
21 estimated state adjusted gross income tax returns by taxpayers not
22 making an electronic funds transfer.

23 Chapter 7. Exchange of Information

24 Sec. 1. The department of state revenue, department of
25 education, and budget agency shall assist the department of local
26 government finance in carrying out the department of local
27 government finance's responsibilities under this article.

28 Sec. 2. Forms, notices, and resolutions required or permitted
29 under this article must be prepared and used in the form and in the
30 manner prescribed by the department of local government finance
31 and approved by the state board of accounts.

32 Sec. 3. The department of local government finance shall
33 establish a schedule for the distribution to taxing units of
34 information that the department of local government finance
35 determines will assist in the implementation of this article. The
36 schedule may provide for the distribution of revisions to data and
37 calculations previously distributed to taxing units.

38 Sec. 4. The department of state revenue shall separately account
39 for the taxes imposed by a taxing unit in a manner sufficient to
40 provide a taxing unit and the taxpayers in a taxing unit with an
41 accounting of the amounts collected under this article in the taxing
42 unit's tax area.

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1 **Sec. 5. The department of state revenue shall establish a**
 2 **schedule for regularly providing information to a taxing unit**
 3 **concerning the following:**

4 **(1) The amount of tax collections under this article.**

5 **(2) The status of pending tax assessments under this article,**
 6 **including information concerning proposed assessments and**
 7 **potential refunds.**

8 **(3) The amount of refunds made to taxpayers under this**
 9 **article.**

10 **(4) The balance in the excess fund that is attributable to taxes**
 11 **imposed by the taxing unit under this article.**

12 **(5) Transfers in and out of a taxing unit's account in the**
 13 **excess fund that are made to correct errors in the**
 14 **apportionment of taxes to a particular taxing unit.**

15 **(6) Other information that is necessary for the fiscal office of**
 16 **a taxing unit to verify the amount of tax revenue that will be**
 17 **available to the taxing unit.**

18 **Sec. 6. The department of state revenue may enter into a**
 19 **confidentiality agreement with taxing units to share taxing**
 20 **information with the taxing unit under the terms determined by**
 21 **the department of state revenue.**

22 **Sec. 7. The department of local government finance, after**
 23 **reviewing the recommendations of the budget agency, shall**
 24 **establish a schedule to regularly provide revenue forecasts to**
 25 **taxing units.**

26 **Sec. 8. The department of state revenue shall conduct a program**
 27 **to provide employers and taxpayers with adequate information for**
 28 **an employer or taxpayer to determine the:**

29 **(1) total tax rate that applies to a particular tax area; and**

30 **(2) tax area where a taxpayer has an obligation to pay tax.**

31 **Chapter 8. Enforcement of Orders; Judicial Review**

32 **Sec. 1. (a) The department of local government finance, at the**
 33 **request of any party to an appeal or on the department of local**
 34 **government finance's own motion, may issue:**

35 **(1) subpoenas;**

36 **(2) discovery orders; and**

37 **(3) protective orders;**

38 **in accordance with the rules of procedure governing discovery,**
 39 **depositions, and subpoenas in civil actions in the courts to carry**
 40 **out this article.**

41 **(b) If ordered by the department of local government finance,**
 42 **the sheriff in the county in which the order is to be served shall**

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1 serve the subpoena, discovery order, or protective order.

2 Sec. 2. An order issued by the department of local government
3 finance under this article may be enforced in the manner provided
4 by IC 4-21.5-6.

5 Sec. 3. (a) The following may petition for judicial review of the
6 final determination of the department of local government finance
7 under this article:

8 (1) An affected taxing unit.

9 (2) The county fiscal officer for a county in which an affected
10 taxing unit is located.

11 (3) Any person or entity that is the subject of an order under
12 this article.

13 (4) If an order was issued under this article as the result of an
14 appeal, any of the parties to the appeal.

15 (b) The petition must be filed in the tax court not more than
16 thirty (30) days after the department of local government finance
17 enters its order under this article.

18 Chapter 9. Adoption of Budgets, Tax Rate, and Tax Levies

19 Sec. 1. Before July 2 in each year, the county fiscal officer shall
20 send a certified statement to the fiscal officer of each taxing unit in
21 the county containing the following information:

22 (1) An estimate of the taxes to be distributed to the taxing unit
23 during the last six (6) months of the current year.

24 (2) The average growth in adjusted gross income in the county
25 over the preceding three (3) years, as determined according
26 to procedures established by the department of local
27 government finance.

28 (3) The amount available in the excess fund to replace revenue
29 shortfalls from a year before the ensuing year and to reduce
30 tax rates in the ensuing year.

31 (4) Any other information at the disposal of the county fiscal
32 officer that might affect the budget adoption process.

33 Sec. 2. In formulating budget estimates, a taxing unit's fiscal
34 officer and fiscal body shall identify the tax levies that are needed
35 for each fund for the budget year.

36 Sec. 3. In the notice required under IC 6-1.1-17-3, a taxing unit
37 shall include the following information:

38 (1) The amount of the budget for each fund that the taxing
39 unit proposes to fund from taxes, as determined before the
40 inclusion of the amounts described in subdivision (2) and the
41 estimated tax rate necessary to raise the amount.

42 (2) The amount of each excessive levy appeal or other appeal

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under IC 6-1.1-18.5, IC 6-1.1-19, or another law that the taxing unit proposes to fund from taxes and the estimated tax rate necessary to raise the amount.

(3) The amount of the taxing unit's budget that will be funded from a distribution of the taxing unit's reserve in the excess fund.

(4) The amount of tax levy and tax rate required under IC 6-10-4-5 and IC 6-10-4-6.

Sec. 4. Not later than the date that the notice described in section 3 of this chapter is published, a taxing unit shall distribute a copy of the notice to the county fiscal officer.

Sec. 5. In the hearing conducted under IC 6-1.1-17-3 and IC 6-1.1-17-5 or IC 6-1.1-17-5.6, a taxing unit shall consider public testimony concerning the part of the taxing unit's budget that the taxing unit proposes to fund from taxes.

Sec. 6. Ten (10) or more individuals or entities that could be subject to a tax under this article may object to a taxing unit's budget in the same manner as an objection may be filed under IC 6-1.1-17-5. The taxing unit shall make findings concerning an objection filed under this section in the same manner as the taxing unit is required to make findings to an objection filed under IC 6-1.1-17-5.

Sec. 7. The taxing unit's:

(1) budget; and

(2) tax levies;

must be adopted in conformity with IC 6-1.1-17-5 or IC 6-1.1-17-5.6, as applicable. The resolution in which the tax levies are adopted must estimate the tax rates necessary to raise the tax levies and must separately state the tax levies and tax rates that are attributable to an excessive levy appeal.

Sec. 8. If the fiscal body does not fix a budget or specify the taxes needed to fund the budget before the date specified in IC 6-1.1-17-5 or IC 6-1.1-17-5.6 or any later date approved by the department of local government finance, the tax levy specified in the most recently adopted budget shall be treated as the tax levy adopted for the ensuing year. The department of local government finance shall compute the appropriate tax rate.

Sec. 9. A tax rate must be uniform throughout the taxing unit's tax area.

Sec. 10. Each year at least two (2) days before the first meeting of the county board of tax adjustment held under IC 6-1.1-29-4, a taxing unit shall file with the county auditor of each county in

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which the taxing unit is located:

- (1) a statement of the tax rate and levy fixed by the taxing unit for the ensuing budget year;
- (2) two (2) copies of the budget adopted by the taxing unit for the ensuing budget year; and
- (3) two (2) copies of any findings adopted under section 6 of this chapter.

The county auditor shall present these items to the county board of tax adjustment at the board's first meeting. If a taxing unit is located in more than one (1) county, the county determined under IC 6-1.1-17-7 has jurisdiction over the taxing unit's budget, tax rates, and tax levies.

Sec. 11. When a county board of tax adjustment or county fiscal officer (if the county fiscal officer is permitted by law to act for or instead of the county board of tax adjustment) reviews budgets, tax levies, and tax rates under IC 6-1.1-17-6, the county board of tax adjustment or county fiscal officer may revise or reduce, but not increase, taxes, tax rates, and the part of the budget funded from taxes to enforce the taxing unit's tax limits imposed by law. A county board of tax adjustment or county fiscal officer shall notify the fiscal officer of each taxing unit of the action taken under this section.

Sec. 12. When a county board of tax adjustment or county fiscal officer (if the county fiscal officer is permitted by law to act for or instead of the county board of tax adjustment) reviews budgets, tax levies, and tax rates under IC 6-1.1-17-6, the county board of tax adjustment or county fiscal officer may recommend that a taxing unit's tax limits are inadequate to carry out the governmental functions of the taxing unit. The recommendation shall be filed with the county fiscal officer and the department of local government finance with findings of fact to support the recommendation.

Sec. 13. A county board of tax adjustment or the county fiscal officer (if the county fiscal officer is permitted by law to act for or instead of the county board of tax adjustment) shall complete its duties under sections 11 and 12 of this chapter before the date specified in IC 6-1.1-17-9. The county board of tax adjustment or county fiscal officer shall issue its determination in the form of a written order. The written order shall be certified to the following:

- (1) The affected taxing unit.
- (2) The county fiscal officer for each county in which the taxing unit is located.

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1 **Sec. 14. An action concerning a taxing unit's taxes taken by a**
 2 **county board of tax adjustment or the county fiscal officer (if the**
 3 **county fiscal officer is permitted by law to act for or instead of the**
 4 **county board of tax adjustment) under section 13 of this chapter,**
 5 **is final unless:**

6 (1) a recommendation is made under section 12 of this
 7 chapter; or

8 (2) section 19 of this chapter applies (but only to the extent
 9 necessary to carry out section 19 of this chapter).

10 **Sec. 15. In the notice required under IC 6-1.1-17-12, the county**
 11 **fiscal officer shall include the following information:**

12 (1) The tax levy and estimated tax rate for each tax imposed
 13 under this article that will be in effect in the tax area for the
 14 following year excluding amounts attributable to funding an
 15 excessive tax levy, if the department of local government
 16 finance does not take further action.

17 (2) The tax levy and estimated tax rate for each excessive tax
 18 levy appeal.

19 (3) A statement briefly describing the actions that the
 20 department of local government finance is empowered to take
 21 with respect to the tax levies, tax rates, and budget.

22 **Sec. 16. The county fiscal officer shall forward a copy of each**
 23 **taxing unit's budget to be funded by taxes, tax rates, and tax levies**
 24 **to the department of local government finance along with the**
 25 **determinations and recommendations made under sections 11 and**
 26 **12 of this chapter.**

27 **Sec. 17. A taxing unit, with the approval of the taxing unit's**
 28 **fiscal body adopted by resolution, may appeal an action taken**
 29 **under section 13 of this chapter to the department of local**
 30 **government finance in writing not more than ten (10) days after**
 31 **the publication of the notice described in section 15 of this chapter.**
 32 **The appeal must be signed in the manner required under**
 33 **IC 6-1.1-17-15.**

34 **Sec. 18. Ten (10) or more individuals or entities that could be**
 35 **subject to a tax under this article may appeal an action taken**
 36 **under section 13 of this chapter to the department of local**
 37 **government finance. The appeal must be filed in writing with the**
 38 **county fiscal officer not more than ten (10) days after the**
 39 **publication of the notice described in section 15 of this chapter.**

40 **Sec. 19. The department of local government finance shall**
 41 **review an action taken under section 13 of this chapter that is not**
 42 **final and any recommendation made under section 12 of this**

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chapter. The department of local government finance may take any other action permitted by this chapter.

Sec. 20. The department of local government finance may take an action under this chapter to certify a budget only after conducting a public hearing on the action in the affected county. However, if an appeal has been filed concerning a tax rate or tax levy, the department of local government finance may take an action that is the subject of an appeal only after conducting a public hearing on the appeal. The department of local government finance may merge the proceedings concerning an appeal with any other public hearing conducted by the department of local government finance in the county from which the appeal was filed.

Sec. 21. The department of local government finance may, at any time, increase the taxes imposed for a taxing unit for the following reasons:

- (1) To pay the principal or interest upon a funding, refunding, or judgment funding obligation of a taxing unit.
- (2) To pay the interest or principal upon an outstanding obligation of the taxing unit.
- (3) To pay a judgment rendered against the taxing unit.
- (4) To pay lease rentals that have become an obligation of the taxing unit under IC 21-5-11 or IC 21-5-12.

Sec. 22. The department of local government finance may increase a taxing unit's taxes to raise sufficient money to pay for the amount of an excessive levy appeal or other appeal under IC 6-1.1-19 that exceeds the taxing unit's tax limits.

Sec. 23. The department of local government finance may increase, decrease, or otherwise revise a tax to correct an error in data, computations, or advertisements.

Sec. 24. The department of local government finance may decrease or otherwise revise a tax to enforce the taxing unit's tax limits.

Sec. 25. The department of local government finance may increase or otherwise revise a tax to eliminate the effects of imposing or increasing a tax after January 1 of a year.

Sec. 26. If the department of local government finance increases, decreases, or otherwise revises a taxing unit's taxes, the department of local government finance must revise the taxing unit's budget in the manner provided in IC 6-1.1-17-16.

Sec. 27. The department of local government finance shall certify a taxing unit's tax levies and tax rates for a year to:

- (1) the affected taxing unit;

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(2) the county fiscal officer for the county where tax must be raised;

(3) the department of state revenue; and

(4) the auditor of state;

before December 1 as soon as practicable after December 1 of the year that immediately precedes the year in which a tax or a tax increase will take effect even if the department of local government finance does not take final action to certify the budget of the taxing unit until the date specified in section 28 of this chapter.

Sec. 28. The department of local government finance shall certify a taxing unit's budget to be funded from taxes and, if not previously certified, the taxing unit's tax levies and tax rates for a year to:

(1) the affected taxing unit;

(2) the county fiscal officer for the county where tax must be raised;

(3) the department of state revenue; and

(4) the auditor of state;

not later than the date that the department of local government finance certifies budgets, levies, and tax rates under IC 6-1.1-17-16.

Sec. 29. The certification under section 28 of this chapter must include a determination concerning the sufficiency of the taxes imposed in the taxing unit to raise the amount of the budget that is to be funded from taxes.

Sec. 30. If the department of local government finance determines that the tax rates or tax levies certified for a year will raise an amount of revenue that exceeds the amount necessary to fund the part of the budget that is to be funded from taxes, the department of local government finance shall order the excess to be added to the taxing unit's reserve in the excess fund.

Sec. 31. If the department determines that the tax rates or tax levies certified for a year will raise less than the amount of revenue that is necessary to fund the part of the budget that is to be funded from taxes, the department of local government finance shall order one (1) or more of the following actions to be taken:

(1) An increase in the taxing unit's tax rate beginning on the date specified by the department of local government finance to raise the amount necessary to cover the shortfall and any financing costs incurred to cover the shortfall until the tax revenues are collected.

(2) A distribution from the excess fund to cover the shortfall.

(3) A reduction in the taxing unit's budget by an amount not

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to exceed the shortfall.

Sec. 32. The department of local government finance shall certify an order under section 31 of this chapter to:

- (1) the affected taxing unit;
- (2) the county fiscal officer for the county where tax must be raised;
- (3) the department of state revenue; and
- (4) the auditor of state.

Sec. 33. If the department of local government finance orders an increase in a tax rate under section 31 of this chapter order, the department of local government finance may order the increase to begin on the first day of any month that is at least thirty (30) days after the department of local government finance certifies the new tax rate to the department of state revenue.

Sec. 34. The procedures in IC 6-1.1-17-16 concerning a budget reduction apply to a budget reduction order under section 31 of this chapter.

Sec. 35. Not later than fifteen (15) days after a county fiscal officer receives certified tax rates and levies under this chapter, the county fiscal officer shall publish under IC 5-3-1 the following information:

- (1) A description of the tax area to which the certification applies.
- (2) The certified tax levy for each fund covered by the certification.
- (3) The tax rate for each tax covered by the certification.
- (4) The total tax rate certified for a taxing unit covered by the certification.
- (5) The total tax rate for all taxing units in the taxing unit's tax area.

The county fiscal officer may combine the information for more than one (1) taxing unit in the same publication.

Sec. 36. Except as otherwise ordered by the department of local government finance, a tax rate certified under this chapter takes effect on the later of the following:

- (1) The first day of the month that is at least thirty (30) days after the department of local government finance certifies the tax rate to the department of state revenue.
- (2) January 1 following the year in which the tax rate is adopted.

Chapter 10. Distribution of Tax Revenue

Sec. 1. The auditor of state shall distribute in a year to each

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1 taxing unit an amount equal to the amount of tax revenue that the
2 department of local finance certifies for use to fund the taxing
3 unit's budget for the year.

4 **Sec. 2.** The auditor of state shall distribute as required by law
5 any tax revenue that is:

- 6 (1) distributed to an allocation area; or
- 7 (2) used as increment tax revenue.

8 **Sec. 3.** Distributions under this chapter must be made from the
9 state general fund.

10 **Sec. 4.** Subject to this chapter, the auditor of state shall make
11 the distribution in eleven (11) equal monthly installments
12 beginning in February of the year for which the certification is
13 made. However, if the department of local government finance
14 adjusts the amount to be distributed after February of a particular
15 year, the auditor of state shall increase or decrease the distribution
16 amount equally in each remaining month in the year to reflect the
17 adjustment.

18 **Sec. 5. (a)** This section applies if:

- 19 (1) a taxing unit's legislative body adopts a resolution
20 authorizing the distribution of part of the taxing unit's taxes
21 to an assignee of the taxing unit; and
- 22 (2) the assignment is permitted by law.

23 (b) The auditor of state shall reduce the amount of a distribution
24 made to a taxing unit by the amount that the taxing unit directs the
25 auditor of state to distribute to an assignee of the taxing unit.

26 (c) A distribution under this section must be made to the
27 assignee designated in the resolution at the assignee's last known
28 address, as submitted to the auditor of state by the executive of the
29 taxing unit before the cutoff date specified by the auditor of state
30 or as otherwise determined by law.

31 (d) A distribution under this section may be made not more than
32 one (1) time each month. The distribution may be made only in the
33 months specified in the resolution. The distribution for a month
34 may not exceed the amount that the taxing unit would otherwise be
35 entitled to receive as a distribution in the month, after deducting
36 all other distribution assignments.

37 **Sec. 6.** The amount necessary to make the distributions required
38 by this chapter is annually appropriated from the state general
39 fund.

40 **Chapter 11. Local Income for Education Excess Fund**

41 **Sec. 1.** The local income for education excess fund is established.
42 The excess fund shall be administered by the auditor of state.

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1 **Sec. 2. The treasurer of state shall invest the money in the excess**
 2 **fund not currently needed to meet the obligations of the excess**
 3 **fund in the same manner as other public money may be invested.**
 4 **Interest that accrues from these investments shall be deposited in**
 5 **the excess fund.**

6 **Sec. 3. Money in the excess fund at the end of a state fiscal year**
 7 **does not revert to the state general fund.**

8 **Sec. 4. An account is established in the excess fund for each**
 9 **taxing unit.**

10 **Sec. 5. The auditor of state shall deposit revenues collected for**
 11 **a tax in the account established under section 4 of this chapter for**
 12 **the taxing unit imposing the tax. The auditor of state shall**
 13 **apportion interest earned on money in the excess fund among the**
 14 **accounts in the excess fund.**

15 **Sec. 6. Money in the excess fund may be used for any of the**
 16 **following purposes:**

17 (1) **To reimburse the state general fund for distributions to**
 18 **taxing units and assignees of taxing units under this article, on**
 19 **the schedule determined by the budget agency.**

20 (2) **To reimburse the state general fund for refunds made to**
 21 **taxpayers for tax overpayments, on the schedule determined**
 22 **by the budget agency.**

23 (3) **For a purpose described in section 7 of this chapter.**

24 **Sec. 7. (a) The budget agency shall annually determine whether**
 25 **there is excess tax revenue in a taxing unit's account in the excess**
 26 **fund.**

27 (b) **The budget agency may not consider as excess revenue any**
 28 **balance accumulated from tax revenue described in IC 6-10-4-3.**

29 (c) **If the budget agency determines in any year that a taxing**
 30 **unit's account has excess tax revenue, the budget agency shall**
 31 **certify the excess amount to the department of local government**
 32 **finance and the auditor of state. The department of local**
 33 **government finance shall order that the excess money be applied**
 34 **as follows:**

35 (1) **To fund any shortfall in tax revenue for a taxing unit from**
 36 **a preceding year, as determined by the department of local**
 37 **government finance.**

38 (2) **If a material amount of excess tax revenue remains after**
 39 **applying the excess tax revenue under subdivision (1), the**
 40 **department of local government finance shall order that tax**
 41 **rates in one (1) or more subsequent years in the taxing unit be**
 42 **reduced and the balance of the excess tax revenue be used to**

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replace the revenue lost as a result of the reduction in taxes.

(d) Excess revenue distributed to a taxing unit under this section may be used for any lawful purpose of the taxing unit. The excess revenue shall be treated as miscellaneous revenue and may not be considered in computing the maximum taxes that may be levied by the taxing unit.

Sec. 8. A distribution to a taxing unit under this article may not be withheld on the grounds that an inadequate amount exists in the excess fund or in a taxing unit's account in the excess fund. If insufficient money exists in the excess fund or in an account in the excess fund to reimburse the state general fund for all distributions made in a year, the state general fund shall be reimbursed in subsequent years as money becomes available.

Sec. 9. A transfer of money to the state general fund under section 6 of this chapter may be made even if an inadequate amount exists in a particular taxing unit's account in the excess fund. If insufficient money exists in an account in the excess fund to reimburse the state general fund for all distributions made in a year:

- (1) an advance to the general fund may be made from any other account in the excess fund; or
- (2) the general fund may be reimbursed as money becomes available.

The amount of any advance made from an account shall be replaced as money becomes available.

Sec. 10. The amount necessary to make the transfers and distributions from the excess fund permitted by this chapter is annually appropriated from the excess fund.

Chapter 12. Bonds

Sec. 1. Notwithstanding any other law, if a taxing unit desires to issue obligations or enter into leases, payable wholly or in part from taxes, the obligations of the taxing unit or any lessor may be sold at public sale in accordance with IC 5-1-11 or at negotiated sale.

Sec. 2. A pledge of tax revenues under this article is enforceable in accordance with IC 5-1-14.

Sec. 3. With respect to obligations for which a pledge has been made under this article, the general assembly covenants with the taxing unit and the purchasers or owners of those obligations that this article will not be repealed or amended in any manner that will adversely affect the tax collected under this article as long as the principal of or interest on those obligations is unpaid.

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SECTION 13. IC 21-2-4-3, AS AMENDED BY P.L.246-2005, SECTION 184, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2007]: Sec. 3. (a) A tax levy shall be established by the governing body of each school corporation for the 1968 calendar year and all succeeding calendar years sufficient to pay all debt service obligations and for textbooks covered by section 2(7) of this chapter.

(b) If the advertised levy is insufficient to produce revenue to meet all debt service obligations for any calendar year, the department of local government finance is hereby authorized to may establish a levy greater than advertised, if necessary, to meet such the obligations.

(c) A school corporation shall levy:

(1) an ad valorem property tax levy to pay all obligations payable from the debt services that:

(A) are due and payable in the year;

(B) arise from an obligation entered into before April 1, 2006; and

(C) for which the school corporation pledged to the holders of the obligation that payment would be made solely from ad valorem property taxes imposed by the school corporation; and

(2) a local income for education tax levy to pay all obligation payable from the debt service fund that are not described in subdivision (1) and not paid from money receive from a source other than ad valorem property taxes.

SECTION 14. IC 21-2-11.5-3, AS AMENDED BY P.L.246-2005, SECTION 187, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2007]: Sec. 3. (a) Subject to subsection (b), each school corporation may levy for the calendar year a ~~property~~ **local income for education** tax for the school transportation fund sufficient to pay all operating costs attributable to transportation that:

(1) are not paid from other revenues available to the fund as specified in section 4 of this chapter; and

(2) are listed in section 2(a)(1) through 2(a)(7) of this chapter.

(b) ~~For each year after 2003~~; The levy for the fund may not exceed:

(1) the amount determined by multiplying:

(A) the school corporation's levy for the school transportation fund for the previous year, as that levy was determined by the department of local government finance in fixing the civil taxing unit's budget, levy, and rate for that preceding calendar year under IC 6-1.1-17 and after eliminating the effects of

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1 temporary excessive levy appeals and any other temporary
 2 adjustments made to the levy for the calendar year; by
 3 (B) the assessed value growth quotient determined under
 4 subsection (c) STEP FOUR; plus
 5 (2) in 2006 and 2007, the amount determined under subsection
 6 (d).

7 (c) For purposes of subsection (b), the assessed value growth
 8 quotient is the amount determined under STEP FOUR of the following
 9 formula:

10 STEP ONE: For each of the six (6) calendar years immediately
 11 preceding the year in which a budget is adopted under
 12 IC 6-1.1-17-5 or IC 6-1.1-17-5.6 for part or all of the ensuing
 13 calendar year, divide the Indiana nonfarm personal income for the
 14 calendar year by the Indiana nonfarm personal income for the
 15 calendar year immediately preceding that calendar year, rounding
 16 to the nearest one-thousandth (0.001).

17 STEP TWO: Determine the sum of the STEP ONE results.

18 STEP THREE: Divide the STEP TWO result by six (6), rounding
 19 to the nearest one-thousandth (0.001).

20 STEP FOUR: Determine the lesser of the following:

21 (A) The STEP THREE quotient.

22 (B) One and six-hundredths (1.06).

23 If the amount levied in a particular year exceeds the amount necessary
 24 to cover the costs payable from the fund, the levy in the following year
 25 shall be reduced by the amount of surplus money.

26 (d) As used in this subsection, "last state transportation distribution"
 27 means the total amount of state funding received by a school
 28 corporation for transportation costs:

29 (1) under IC 21-3-3.1-1 through IC 21-3-3.1-3; and

30 (2) for special education and vocational programs under
 31 IC 21-3-3.1-4;

32 after June 30, 2003, and before July 1, 2004;

33 multiplied by two (2). To the extent that the amount determined under
 34 subsection (b)(1) has not been adjusted to reflect the termination of
 35 state distributions for the school corporation's transportation fund, as
 36 determined by the department of local government finance, a school
 37 corporation may increase its school transportation fund levy for 2006
 38 above the amount determined under subsection (b)(1) by fifty percent
 39 (50%) of the school corporation's last state transportation distribution,
 40 and the school corporation may increase its school transportation fund
 41 levy for 2007 above the amount determined under subsection (b)(1) by
 42 the remaining fifty percent (50%) of the school corporation's last state

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1 transportation distribution. The amount of the additional levy imposed
 2 in a year under this subsection shall be treated, for purposes of applying
 3 subsection (b)(1) in the following year, as part of the school
 4 corporation's levy for the school transportation fund for the previous
 5 year.

6 (e) Each school corporation may levy for the calendar year a **local**
 7 **income for education** tax for the school bus replacement fund in
 8 accordance with the school bus acquisition plan adopted under section
 9 3.1 of this chapter.

10 (f) The tax rate and levy for each fund shall be established as a part
 11 of the annual budget for the calendar year in accord with IC 6-1.1-17.

12 SECTION 15. IC 21-2-11.6-3 IS AMENDED TO READ AS
 13 FOLLOWS [EFFECTIVE JANUARY 1, 2007]: Sec. 3. (a) The
 14 governing body of each school corporation for which a referendum tax
 15 levy is approved under IC 6-1.1-19-4.5(c) shall establish a referendum
 16 tax levy fund.

17 (b) A school corporation may impose ~~a referendum tax levy~~ an
 18 **additional local income for education tax rate** in the amount allowed
 19 under IC 6-1.1-19-4.5(c) for the school corporation.

20 (c) ~~Property~~ **Local income for education** tax collections from a
 21 school corporation's referendum tax levy shall be deposited in the
 22 referendum tax levy fund. Money in the fund may be used for any
 23 lawful school expenses.

24 SECTION 16. IC 21-2-11.6-4, AS ADDED BY P.L.246-2005,
 25 SECTION 188, IS AMENDED TO READ AS FOLLOWS
 26 [EFFECTIVE JANUARY 1, 2007]: Sec. 4. (a) This section applies to
 27 a school corporation that added an amount to the school corporation's
 28 base tax levy before 2002 as the result of the approval of an excessive
 29 tax levy by the majority of individuals voting in a referendum held in
 30 the area served by the school corporation under IC 6-1.1-19.

31 (b) The following definitions apply throughout this section:

32 (1) "Base tax levy" has the meaning set forth in IC 6-1.1-19-1.

33 (2) "Excessive tax levy" has the meaning set forth in
 34 IC 6-1.1-19-1.

35 (c) A school corporation may adopt a resolution before September
 36 21, 2005, to transfer the power of the school corporation to levy the
 37 amount described in subsection (a) from the school corporation's
 38 general fund to the school corporation's referendum tax levy fund. A
 39 school corporation that adopts a resolution under this section shall, as
 40 soon as practicable after adopting the resolution, send a certified copy
 41 of the resolution to the department of local government finance and the
 42 county. A school corporation that adopts a resolution under this

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subsubsection may, for property taxes first due and payable after ~~2005,~~
2006, levy an additional ~~amount~~ **local income for education tax rate**
 for the referendum tax levy fund that does not exceed the amount of the
 excess tax levy added to the school corporation's base tax levy before
 2002.

(d) The power of the school corporation to impose the levy
 transferred to the referendum tax levy fund under this section expires
 on December 31, 2012, unless:

(1) the school corporation adopts a resolution to reimpose or
 extend the **local income for education** referendum tax levy; and

(2) the **local income for education** referendum tax levy is
 approved, before January 1, 2013, by a majority of the individuals
 who vote in a referendum that is conducted in accordance with
 the requirements in IC 6-1.1-19-4.5(c).

As soon as practicable after adopting the resolution under subdivision
 (1), the school corporation shall send a certified copy of the resolution
 to the county auditor and the department of local government finance.
 Upon receipt of the certified resolution, the tax control board shall
 proceed in the same manner as the tax control board would for any
 other **local income for education** referendum tax levy being reimposed
 or extended under IC 6-1.1-19-4.5(c). However, if requested by the
 school corporation in the resolution adopted under subdivision (1), the
 question of reimposing or extending a referendum **local income for**
education tax levy transferred to the referendum tax levy fund under
 this section may be combined with a question presented to the voters
 to reimpose or extend a referendum tax levy initially imposed after
 2001. A referendum tax levy reimposed or extended under this
 subsection shall be treated for all purposes as a **local income for**
education referendum tax levy reimposed or extended under
 IC 6-1.1-19-4.5(c).

(e) The school corporation's referendum tax levy under subsection
 (c) may not be considered in the determination of the school
 corporation's state tuition support under IC 21-3-1.7 or the
 determination of the school corporation's maximum general fund **local**
income for education tax levy under IC 6-1.1-19 and IC 21-3-1.7.

SECTION 17. IC 21-2-15-11, AS AMENDED BY P.L.246-2005,
 SECTION 190, IS AMENDED TO READ AS FOLLOWS
 [EFFECTIVE JANUARY 1, 2007]: Sec. 11. (a) Except as provided in
 subsection ~~(e);~~ (c), to provide for the capital projects fund, the
 governing body may, for each year in which a plan adopted under
 section 5 of this chapter is in effect, impose a ~~property~~ **local income**
for education tax rate that does not exceed ~~forty-one and sixty-seven~~

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hundredths cents (\$0.4167) on each one hundred dollars (\$100) of assessed valuation of the lesser of:

(1) five thousand seven hundred seventy-three ten thousandths percent (0.5773%) within the school corporation; or

(2) the product of:

(A) the maximum property tax rate permitted in the school corporation under this section (before January 1, 2007) after adjustments for reassessment, as stated as a tax rate per one hundred dollars (\$100) of assessed valuation; multiplied by

(B) two and three thousand six hundred seventy-five ten thousandths (2.3675).

The tax rate must be stated as a percentage. This actual rate must be advertised in the same manner as other property tax rates.

(b) The maximum property tax rate levied by each school corporation must be adjusted each time a general reassessment of property takes effect. The adjusted property tax rate becomes the new maximum property tax rate for the levy for property taxes first due and payable in each year:

(1) after the general reassessment for which the adjustment was made takes effect; and

(2) before the next general reassessment takes effect.

(c) The new maximum rate under this section is the tax rate determined under STEP SEVEN of the following formula:

STEP ONE: Determine the maximum rate for the school corporation for the year preceding the year in which the general reassessment takes effect.

STEP TWO: Determine the actual percentage increase (rounded to the nearest one-hundredth percent (0.01%)) in the assessed value of the taxable property from the year preceding the year the general reassessment takes effect to the year that the general reassessment is effective.

STEP THREE: Determine the three (3) calendar years that immediately precede the ensuing calendar year and in which a statewide general reassessment of real property does not first become effective.

STEP FOUR: Compute separately, for each of the calendar years determined in STEP THREE, the actual percentage increase (rounded to the nearest one-hundredth percent (0.01%)) in the assessed value of the taxable property from the preceding year.

STEP FIVE: Divide the sum of the three (3) quotients computed

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in STEP FOUR by three (3):

STEP SIX: Determine the greater of the following:

(A) Zero (0):

(B) The result of the STEP TWO percentage minus the STEP FIVE percentage:

STEP SEVEN: Determine the quotient of the STEP ONE tax rate divided by the sum of one (1) plus the STEP SIX percentage increase:

(d) (b) The department of local government finance shall compute the maximum rate allowed under subsection (c) (a), after review of the recommendation of the budget agency, and provide the rate to each school corporation.

(e) (c) For a year in which a school corporation uses money from the school corporation's capital projects fund to pay for costs described in section 4(l) of this chapter, the school corporation may impose a property **local income for education** tax rate that exceeds the rate described in subsection (a). The amount by which the property tax rate may exceed the rate described in subsection (a) equals the amount determined under STEP ~~THREE~~ TWO of the following formula:

STEP ONE: Determine the school corporation's expenditures under section 4(l) of this chapter for the calendar year.

STEP TWO: Determine the quotient of:

(A) the STEP ONE amount; divided by

(B) the **adjusted gross income (as defined in IC 6-10-2-4) of taxpayers in the tax area (as defined in IC 6-10-2-15) for the school corporation's assessed valuation corporation** for the year.

STEP THREE: Determine the product of:

(A) the STEP TWO amount; multiplied by

(B) one hundred (100):

SECTION 18. IC 21-2-17-2 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2007]: Sec. 2. Each year each school corporation shall impose an ~~ad valorem property~~ **a local income for education** tax rate of ~~thirty-three hundredths of one cent (\$0.0033)~~ for each one hundred dollars (\$100) of assessed valuation **five thousandths percent (0.005%) within the school corporation** to be deposited in the fund.

SECTION 19. IC 21-3-1.6-10 IS ADDED TO THE INDIANA CODE AS A NEW SECTION TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2007]: **Sec. 10. As used in this article, "adjusted gross income" has the meaning set forth in IC 6-10-2-4.**

SECTION 20. IC 21-3-1.6-11 IS ADDED TO THE INDIANA

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CODE AS A NEW SECTION TO READ AS FOLLOWS
 [EFFECTIVE JANUARY 1, 2007]: **Sec. 11. As used in this article,
 "tax area" has the meaning set forth in IC 6-10-2-15.**

SECTION 21. IC 21-3-1.7-5, AS AMENDED BY P.L.246-2005,
 SECTION 194, IS AMENDED TO READ AS FOLLOWS
 [EFFECTIVE JANUARY 1, 2007]: Sec. 5. (a) As used in this section,
 "school corporation" does not include a charter school.

(b) As used in this chapter, "tuition support levy" means, with
 respect to a school corporation for a year **that begins before January
 1, 2007**, the result determined using the following formula:

STEP ONE: Determine the maximum general fund ad valorem
 property tax levy for the school corporation determined under
 IC 6-1.1-19-1.5.

STEP TWO: Determine the sum of the following:

(A) An amount equal to the annual decrease in federal aid to
 impacted areas from the year preceding the ensuing calendar
 year by three (3) years to the year preceding the ensuing
 calendar year by two (2) years.

(B) The part of the maximum general fund levy for the year
 that equals the original amount of the levy imposed by the
 school corporation to cover the costs of opening a new school
 facility during the preceding year.

(C) The part of the maximum general fund levy for the year
 that is added to the maximum general fund levy in the year
 under IC 6-1.1-19-1.5 to provide revenue for one (1) or more
 charter schools attended by students with legal settlement in
 the school corporation.

STEP THREE: Determine the difference of:

- (A) the STEP ONE amount; minus
- (B) the STEP TWO amount.

**(c) As used in this chapter, "tuition support levy" means, with
 respect to a school corporation for a year that begins after
 December 31, 2006, the result determined using the following
 formula:**

**STEP ONE: Determine the maximum general fund local
 income for education tax levy for the school corporation
 determined under IC 6-1.1-19-1.5.**

STEP TWO: Determine the sum of the following:

**(A) An amount equal to the annual decrease in federal aid
 to impacted areas from the year preceding the ensuing
 calendar year by three (3) years to the year preceding the
 ensuing calendar year by two (2) years.**

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(B) The part of the maximum general fund local income for education tax levy for the year that equals the original amount of the levy imposed by the school corporation to cover the costs of opening a new school facility during the preceding year.

(C) The part of the maximum general fund local income for education tax levy for the year that is added to the maximum general fund local income for education tax levy in the year under IC 6-1.1-19-1.5 to provide revenue for one (1) or more charter schools attended by students with legal settlement in the school corporation.

STEP THREE: Determine the difference of:

(A) the STEP ONE amount; minus

(B) the STEP TWO amount.

SECTION 22. IC 21-3-1.7-6.8, AS AMENDED BY P.L.246-2005, SECTION 197, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2007]: Sec. 6.8. (a) This section does not apply to a charter school.

(b) A school corporation's target general fund ~~property~~ **local income for education** tax rate for purposes of IC 6-1.1-19-1.5 is the result determined under STEP FOUR of the following formula:

STEP ONE: Determine the product of:

(A) the amount determined for the school corporation in STEP ONE of the formula in section 6.7(c) of this chapter; multiplied by

(B) the school corporation's adjusted ADM for the current year.

STEP TWO: This STEP applies only if the amount determined in STEP SEVEN of the formula in section 6.7(c) of this chapter is not equal to the STEP ONE result. Determine the result under clause ~~(F)~~ (E) of the following formula:

(A) Divide the **adjusted gross income of the taxpayers in the tax area of the school corporation's assessed valuation corporation** by the school corporation's current ADM.

(B) Divide the clause (A) result by ~~ten thousand (10,000):~~ **one hundred (100).**

(C) Determine the greater of the following:

(i) The clause (B) result.

(ii) ~~Thirty-six~~ **Fifteen** dollars and ~~thirty~~ **thirty-three** cents ~~(\$36.30):~~ **(\$15.33).**

(D) Determine the result determined under item (ii) of the following formula:

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(i) Subtract the STEP ONE result from the amount determined in STEP SEVEN of the formula in section 6.7(c) of this chapter.

(ii) Divide the item (i) result by the school corporation's current ADM.

(E) Divide the clause (D) result by the clause (C) result.

~~(F) Divide the clause (E) result by one hundred (100).~~

STEP THREE: This STEP applies only if the amount determined in STEP SEVEN of the formula in section 6.7(c) of this chapter is equal to the STEP ONE result and the result of clause (A) is greater than zero (0). Determine the result under clause ~~(G)~~ (F) of the following formula:

(A) Add the following:

(i) An amount equal to the annual decrease in federal aid to impacted areas from the year preceding the ensuing calendar year by three (3) years to the year preceding the ensuing calendar year by two (2) years.

(ii) The part of the maximum general fund levy for the year that equals the original amount of the levy imposed by the school corporation to cover the costs of opening a new school facility during the preceding year.

(B) Divide the clause (A) result by the school corporation's current ADM.

(C) Divide the **adjusted gross income of the taxpayers in the tax area of the school corporation's assessed valuation corporation** by the school corporation's current ADM.

(D) Divide the clause (C) result by ~~ten thousand (10,000)~~ **one hundred (100)**.

(E) Determine the greater of the following:

(i) The clause (D) result.

(ii) ~~Thirty-six~~ **Fifteen** dollars and ~~thirty~~ **thirty-three** cents ~~(\$36.30)~~ **(\$15.33)**.

(F) Divide the clause (B) result by the clause (E) amount.

~~(G) Divide the clause (F) result by one hundred (100).~~

STEP FOUR: This STEP applies to all school corporations. Determine the sum of:

(A) ~~seventy-two and cents (\$0.72) in 2006 and seventy-two and ninety-two hundredths cents (\$0.7292)~~ **one and seven thousand two hundred sixty-four ten thousandths percent (1.7264%)** in 2007; plus

(B) if applicable, the STEP TWO or STEP THREE result.

SECTION 23. IC 21-3-1.7-8.2, AS AMENDED BY P.L.246-2005,

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SECTION 199, IS AMENDED TO READ AS FOLLOWS
 [EFFECTIVE JANUARY 1, 2007]: Sec. 8.2. (a) Notwithstanding
 IC 21-3-1.6 and subject to section 9 of this chapter, the state
 distribution for a calendar year for tuition support for basic programs
 for each school corporation equals the result determined using the
 following formula:

STEP ONE: For a:

(A) school corporation not described in clause (B), determine
 the school corporation's result under STEP SEVEN of section
 6.7(c) of this chapter for the calendar year; and

(B) school corporation that has target revenue per adjusted
 ADM for a calendar year that is equal to the amount under
 section 6.7(c) STEP ONE of this chapter, determine the sum
 of:

(i) the school corporation's result under section 6.7(c) STEP
 ONE of this chapter for the calendar year multiplied by the
 school corporation's adjusted ADM for the current year; plus
 (ii) the amount of the annual decrease in federal aid to
 impacted areas from the year preceding the ensuing calendar
 year by three (3) years to the year preceding the ensuing
 calendar year by two (2) years; plus

(iii) the part of the maximum general fund **local income for
 education tax** levy for the year that equals the original
 amount of the levy imposed by the school corporation to
 cover the costs of opening a new school facility or reopening
 an existing facility during the preceding year.

STEP TWO: This STEP applies to a school corporation that is not
 a charter school. Determine the sum of:

(A) the school corporation's tuition support levy; plus

(B) the school corporation's excise tax revenue for the year
 that precedes the current year by one (1) year.

STEP THREE: This STEP applies to a charter school. Determine
 the product of:

(A) the amount determined under section 6.7(c) STEP SEVEN
 of this chapter for the charter school; multiplied by

(B) thirty-five hundredths (0.35).

STEP FOUR: Determine the difference between:

(A) the STEP ONE amount; minus

(B) the STEP TWO or STEP THREE amount, as applicable.

(b) If the state tuition support determined for a school corporation
 under this section is negative, the school corporation is not entitled to
 any state tuition support. In addition, the school corporation's

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1 maximum general fund **local income for education tax** levy under
 2 IC 6-1.1-19-1.5 shall be reduced by the amount of the negative result.

3 SECTION 24. IC 21-3-4.4 IS ADDED TO THE INDIANA CODE
 4 AS A NEW CHAPTER TO READ AS FOLLOWS [EFFECTIVE
 5 JANUARY 1, 2007]:

6 **Chapter 4.4. ADM Flat Grant**

7 **Sec. 1.** As used in this chapter, "charter school" has the meaning
 8 set forth in IC 20-24-1-4.

9 **Sec. 2.** As used in this chapter, "corporate income tax
 10 contribution" means the lesser of the following:

11 (1) One hundred million dollars (\$100,000,000).

12 (2) The amount of adjusted gross income taxes imposed on
 13 corporations under IC 6-3 in the year preceding the current
 14 year by two (2), as determined by the budget agency.

15 **Sec. 3.** As used in this chapter, "current ADM" has the meaning
 16 set forth in IC 21-3-1.6-1.1.

17 **Sec. 4.** As used in this chapter, "debt service" means an
 18 obligation payable for a school corporation's debt service fund.

19 **Sec. 5.** As used in this chapter, "school corporation" has the
 20 meaning set forth in IC 20-18-2-16.

21 **Sec. 6. (a)** In each year beginning after December 31, 2006, the
 22 department of education shall deliver to the auditor of state a
 23 certified statement of the current ADM for the year for each school
 24 corporation and charter school. Upon receipt of this information,
 25 the auditor of state shall compute the amount to be distributed to
 26 each school corporation and charter school for the year. Subject to
 27 subsection (b), the amount to be distributed to each school
 28 corporation and charter school is the amount determined under
 29 STEP FOUR of the following formula:

30 **STEP ONE:** Determine the current ADM for each school
 31 corporation and charter school.

32 **STEP TWO:** Determine the sum of the STEP ONE amounts
 33 for all school corporations and charter schools.

34 **STEP THREE:** Divide the corporate income tax contribution
 35 amount by the STEP TWO amount, rounding to the nearest
 36 dollar (\$1).

37 **STEP FOUR:** Multiply the STEP THREE amount by the
 38 STEP ONE amount for the particular school corporation or
 39 charter school.

40 **(b)** The distribution under this section is funded only to the
 41 extent that money is appropriated for the ADM flat grant by the
 42 general assembly for the year of the distribution. If the

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1 appropriation in any year is less than necessary to fund the
 2 distribution, the appropriation shall be proportionately reduced to
 3 eliminate the difference between the amount appropriated and the
 4 amount necessary to fund the distribution.

5 **Sec. 7. The amount of a distribution under this chapter shall be**
 6 **distributed to the school corporations and charter schools during**
 7 **the month of July in each year. Warrants shall be issued to the**
 8 **state treasurer ordering the distribution to the respective school**
 9 **corporations from the state general fund.**

10 **Sec. 8. (a) Each school corporation shall use the distribution**
 11 **under this chapter in the following manner:**

12 (1) The school corporation, if it has debt service, shall use the
 13 distribution to reduce the local income for education tax rate
 14 imposed to pay debt service.

15 (2) The school corporation may use for the capital projects
 16 fund or current operating expense any remaining amount in
 17 the distribution after subtracting the amount used under
 18 subdivision (1).

19 (b) The budgets of the various school corporations must reflect
 20 the anticipated receipts from the state adjusted ADM flat grant
 21 distribution. Appropriations shall be made as other appropriations
 22 are made.

23 **Sec. 9. A charter school may use the amount of a distribution for**
 24 **any operating or capital educational purpose.**

25 SECTION 25. IC 36-1-2-7, AS AMENDED BY P.L.227-2005,
 26 SECTION 12, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE
 27 JULY 1, 2006]: Sec. 7. "Fiscal officer" means:

- 28 (1) auditor, for a county not having a consolidated city;
- 29 (2) controller, for a:
 - 30 (A) consolidated city;
 - 31 (B) county having a consolidated city, except as otherwise
 - 32 provided; or
 - 33 (C) second class city;
- 34 (3) clerk-treasurer, for a third class city;
- 35 (4) clerk-treasurer, for a town; or
- 36 (5) trustee, for a township; or
- 37 (6) treasurer, for a school corporation; or
- 38 (7) individual authorized as the fiscal officer by law or the
- 39 political subdivision's fiscal body, for any other political
- 40 subdivision.

41 SECTION 26. [EFFECTIVE JULY 1, 2006] (a) Except as
 42 provided in IC 21-2-4-3, as amended by this act, the power of a

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1 school corporation to impose an ad valorem property tax for school
 2 purposes is terminated on December 31, 2006. This subsection does
 3 not apply to property taxes that a school corporation is permitted
 4 by law to impose for nonschool purposes, such as property taxes
 5 for historic societies and art associations.

6 (b) Except as provided in IC 21-2-4-3, as amended by this act,
 7 any reference in a law, rule, or agreement to a property tax,
 8 property tax levy, or property tax rate imposed under IC 6-1.1-19,
 9 IC 20, or IC 21 shall be treated for taxes imposed after December
 10 31, 2006, as a reference to a local income for education tax, local
 11 income for education tax levy, or local income for education tax
 12 rate imposed under IC 6-10, as added by this act. This subsection
 13 shall be construed to apply IC 6-1.1-20 to controlled projects that
 14 will be funded in any part by local income for education taxes
 15 imposed under IC 6-10, as added by this act.

16 (c) The preparation of local income for education tax levies and
 17 tax rates for 2007 shall be imposed in 2006 using the procedures in
 18 IC 6-10, as added by this act. The part of a school corporation's
 19 2007 budget funded by a local income for education tax levy is
 20 subject to IC 6-1.1-17 and IC 6-1.1-19 to the same extent as if the
 21 budget were funded by property taxes. If the local income for
 22 education tax rate raises more revenue than is necessary to fund
 23 the budget as finally certified by the department of local
 24 government finance under IC 6-1.1-17-16, the surplus shall be used
 25 to reduce local income for education tax rates in 2008.

26 (d) Any reference in a law, rule, or agreement to an average
 27 daily attendance flat grant shall be treated after December 31,
 28 2006, as a reference to the ADM flat grant.

29 (e) The legislative council shall provide for the preparation of
 30 legislation for introduction in the 2007 session to bring the laws
 31 into conformity with this SECTION.

32 (f) The department of local government finance may adopt
 33 temporary rules in the manner provided for the adoption of
 34 emergency rules under IC 4-22-2-37.1 to implement this act. A
 35 temporary rule adopted under this subsection expires on the
 36 earliest of the following:

37 (1) The date that the department of local government finance
 38 adopts another temporary rule under this subsection that
 39 repeals, amends, or supersedes the previously adopted
 40 temporary rule.

41 (2) The date that the department of local government finance
 42 adopts a permanent rule under IC 4-22-2 that repeals,

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1 amends, or supersedes the previously adopted temporary rule.

2 (3) The date specified in the temporary rule.

3 (4) December 31, 2008.

4 (g) The department of education may adopt temporary rules in
5 the manner provided for the adoption of emergency rules under
6 IC 4-22-2-37.1 to implement this act. A temporary rule adopted
7 under this subsection expires on the earliest of the following:

8 (1) The date that the department of education adopts another
9 temporary rule under this subsection that repeals, amends, or
10 supersedes the previously adopted temporary rule.

11 (2) The date that the department of education adopts a
12 permanent rule under IC 4-22-2 that repeals, amends, or
13 supersedes the previously adopted temporary rule.

14 (3) The date specified in the temporary rule.

15 (4) December 31, 2008.

16 (h) The appropriation to the property tax replacement fund
17 board in P.L.246-2005 for distributions under IC 6-1.1-21 for the
18 state fiscal year beginning July 1, 2006, and ending June 30, 2007,
19 is reduced by one billion six hundred sixty-seven million dollars
20 (\$1,667,000,000). The reduction shall be applied fifty percent
21 (50%) to the appropriation from the general fund and fifty percent
22 (50%) to the appropriation payable from the property tax
23 replacement fund.

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